



GSAssociates

Business Partners and Certified Public Accountants



Independent Auditor's System Report  
For Payphone Compensation  
As required by FCC Order 03-235  
Docket No. 96-128



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## **Independent Auditor's Report** **System Audit Report**

Senior Management  
iBasis, Inc.

At the request of the management of iBasis Inc., we have examined the call tracking systems of iBasis, Inc. and its interexchange operating subsidiaries (collectively "IBASIS") for payphone calls in compliance with FCC Order 03-235, Docket No 96-128. IBASIS management is responsible for compliance with those requirements. (See Appendix '2') Our responsibility is to express an opinion on company compliance based on our examination.

Our examination included procedures to obtain reasonable assurance about whether the controls included in our audit were suitably designed to achieve the control objectives – namely, that the call tracking system of IBASIS accurately tracks payphone calls to completion and that IBASIS satisfactorily complied with and applied these controls and such controls will be placed in operation consistently in the future.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence of compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on IBASIS's compliance with specified requirements.

In our opinion, IBASIS complied, in all material respects, with the aforementioned requirements for the periods mentioned through June 30, 2012. IBASIS has sufficient controls in place to provide reasonable assurance that it will achieve the control objectives of this audit, namely that the IBASIS call tracking system accurately tracks payphone calls to completion.

The description of policies & procedures concerning Payphone Compensation at IBASIS, as well as information concerning tests of the operating effectiveness covers the periods from June 2010 to June 2012. Information concerning payments made includes the periods of Q1 2011 and Q1 2012. Future projection of such information is subject to the inherent risk that, because of change, the description may no longer portray those procedures in existence. The potential effectiveness of specific controls at IBASIS is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that, (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for the information and use of IBASIS and its designees, and is not intended to be and should not be used by anyone other than the specified party.

*GSAssociates, CPAs*

GSAssociates  
September 18, 2012



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## **Overview of System Audit Requirements**

This System Audit Report covers FCC Order (03-235, Docket No 96-128), effective July 1, 2004 (the “Order”), requiring Interexchange Carriers (“IXCs”), incumbent local exchange carriers (“LECs”), competitive local exchange carriers (“CLECs”) and Switch Based Resellers (herein collectively or individually referred to as a “Carrier”), to establish and maintain a comprehensive Call Tracking System (“CTS”) which accurately reports and compensates Payphone Service Providers (“PSPs”).

The Order calls for an independent third party audit report in conformity with AICPA standards. The independent auditor’s report shall conclude whether the Carrier complied, in all material respects, with the factors set forth (below) regarding the CTS as follows:

- 1) Whether the Carrier’s procedures accurately reflect the Commission’s rules, including the attestation reporting requirements.
- 2) Whether the Carrier has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.
- 3) Whether the Carrier has effective data monitoring procedures.
- 4) Whether the Carrier adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.
- 5) Whether the Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers.
- 6) Whether the Carrier has procedures to incorporate call data into required reports.
- 7) Whether the Carrier has implemented procedures and controls needed to resolve disputes.
- 8) Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial.
- 9) Whether the Carriers have adequate and effective business rules for implementing and paying payphone compensation.



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## **Audit Process & Procedures**

Our audit tests and reports on all nine (9) factors listed in the Order. The guidelines used to conduct and prepare the report are established in the AICPA's Statements on Standards for Attestation Engagements ("SSAE"), specifically, SSAE 10, AT Section 101 Attest Engagements and AT Section 601 Compliance Attestation.

Those standards required that we:

- 1) Have adequate technical training and proficiency in the attest function.
- 2) Perform the attest function using practitioners having adequate knowledge of the subject matter.
- 3) Evaluate the subject matter against suitable criteria such as:
  - a) *Objectivity* – free of bias
  - b) *Measurability* – reasonable consistent measurements, qualitative or quantitative, of subject matter.
  - c) *Completeness* – sufficiently complete so that relevant factors that would alter a conclusion about subject matter are not omitted.
  - d) *Relevance* – criteria relevant to the subject matter.
- 4) Maintain an Independent mental attitude in all matters relating to the engagement.
- 5) Exercise due professional care in the planning and performance of the engagement.
- 6) Obtain sufficient evidence to provide reasonable basis for our conclusion expressed in the report.

IBASIS has designed and implemented an in-house call tracking system that captures payphone originated long distance calls. Billing Services Group ("BSG") is contracted by IBASIS to process call detail records ("CDR"), compensate PSPs and satisfy all FCC-mandated reporting requirements. Attached is BSG's SAS 70 report as Appendix "1". IBASIS's use of a payphone clearinghouse does not release or transfer any of its obligations to comply with all nine (9) factors of the Order.

The scope of this audit as it relates to compensation includes quarter ending March 31, 2011 and March 31, 2012. Quarter ending March 31, 2012 is the latest quarter that IBASIS has processed and remitted compensation to PSP's. The scope of this audit as it relates to IBASIS's processes and procedures subject to the Order is from the last published audit through June 30, 2012.



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### ***PAYPHONE COMPENSATION Policies & Procedures***

IBASIS has established and documented policies & procedures specifically in compliance with the Order. These include, but are not limited to:

1. Backup Policy
2. Core Security / Critical Data Requirements Policy
3. Software Quality Testing Process
4. Change Control Policy
5. Host / Server Security Policy
6. Password Policy
7. Physical Security Policy
8. Information Access Control Policy
9. Monitoring Policy
10. Firewall Policy

IBASIS has previously provided GSA with these documents and has provided GSA with written attestation that there have been no unauthorized or significant changes to company policies which would affect the processing of payphone compensation. IBASIS further attests that no changes can be made to the software controlling the call tracking system without appropriate approvals.

### ***Responsible Dedicated Staff***

IBASIS has dedicated staff responsible for tracking, compensating, reporting and resolving disputes concerning completed calls as follows:

1. Ellen Schmidt, V.P., General Counsel & Secretary is responsible for drafting necessary business requirements.
2. Director, Information Services Applications, Stephen Becker, is responsible for developing and maintaining systems to create payphone call records from switch records.
3. Stephen Becker, Director, Information Services Applications, is responsible for implementing and maintaining procedures to check the validity of identified payphone records.
4. Director, Information Services Applications, Stephen Becker, is responsible for implementing & maintaining procedures that create final compensation data sets.
5. Stephen Becker, Director, Information Services Applications, is responsible for developing compensation tracking reports.
6. Glenn Meloni, Director, Finance, is responsible for dispute resolutions.



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### ***Data Monitoring Procedures***

IBASIS has developed a systematic reporting process to generate monthly and quarterly reports on payphone call counts, numbers called, and info digits used.

These reports reflect:

- a) Trends of switch traffic volumes entering their payphone compensation systems.
- b) Possible fraud on potential illegitimate payphone calls.
- c) Trends of excluded calls.
- d) The capability to develop customized reports to help resolve disputes.
- e) Capacity for other appropriate trending reports.

GSA has reviewed and documented these reports as valid and functional. Mr. Becker indicated that through IBASIS's IT department IBASIS is able to request customized reports for reporting and monitoring purposes. GSA documented this by requesting data not normally produced through the call tracking system and reporting data files to BSG.

### ***Compensation Assurance Protocols***

IBASIS has established procedures which guarantee that the company will remain in compliance with current FCC requirements. These procedures ensure that software, personnel, or any other network changes or additions to the payphone compensation process are done in accordance with guidelines and approvals documented in the aforementioned procedure section and do not adversely affect its call tracking capabilities.

GSA has previously reviewed these procedures with the client and finds them adequate and comprehensive. IBASIS has attested to the fact that there have not been any significant or undocumented changes to the program code, stored procedures or report systems for the call tracking system or payphone compensation system to date.



### ***Compensable Call File and Reporting***

IBASIS extracts all data directly from its CDR and prepares online reports and databases for utilization in the compensation process. IBASIS compiles the appropriate call detail in a predetermined format required by BSG, and electronically transmits this data to BSG for matching and payment. This is a monthly process due to the volume of calls processed by the Carrier. The monthly data is compiled and stored. When a complete quarter has been accumulated, this data is formatted and transmitted to BSG. GSA reviewed the BSG data files for Q1 2011 and Q1 2012 and found them to be complete and accurate.

IBASIS also provided their raw CDR file. Our review of the file determined that it contained all the necessary data to perform the ANI match and to prepare detailed reports for compensation to each separate PSP or Aggregator. GSA also reviewed the compensation results files provided to IBASIS by BSG. The data provided to, and the results file from BSG matched. The result file contains total records; total calls, total ANIs as well as the subset of payphone originated calls and matched ANIs. GSA also received and reviewed the quarterly compensation invoice from BSG to IBASIS, describing the amount needed to fund payments to the PSPs. These files and documents are complete and accurate.

IBASIS has added an additional step to its data extracts. Because some of the underlying carriers utilized by the company, do not provide an ani identifier, each month, IBASIS loads the LEC database utilized by BSG to further extract unidentified payphone originated calls. The company has been following this process since 2007. GSA finds this to be an added assurance that no payphone call will be accidentally excluded from a compensation file.

### ***Dispute Resolution Procedures***

IBASIS has assigned its representative, Glenn Meloni, Director, Finance, as the individual responsible for interfacing with BSG. BSG is the first contact for a PSP to request additional information regarding payphone-originated calls. BSG has previously provided its detail procedure for handling disputes from PSPs, and has verified that the procedure was in use through Q1 2012. If a dispute arises where BSG cannot determine an appropriate answer to a payment question, they are directed to the IBASIS responsible party. This process is further outlined in IBASIS's Dispute Resolution procedure.

GSA has determined that the responsible party is knowledgeable and has the tools available to complete this function. IBASIS has verified that there are no outstanding disputes that have been brought to IBASIS's attention.





## **Compensation Verification**

GSA has determined that IBASIS has properly compensated PSP's through the First Quarter of 2012.

GSA has reviewed Q1 2011 and Q1 2012 payment files and verified those files against IBASIS provided CDR and found no discrepancies. In addition, BSG has verified that funds were transferred and remitted to the appropriate PSPs. IBASIS has assigned Roelant Lyppens, Chief Financial Officer, or his designee, as the individual responsible for processing payments, and managing the relationship with BSG.

## **Audit Conclusions**

### ***FCC Relevant Rules Accurately Stated***

IBASIS has established, defined, and documented in accordance with relevant FCC Rules each of the following:

- Per-call rate.
- Per-phone requirements.
- Calls included as compensable calls
- Definition of completed call.
- Reporting requirements.
- Data Storage Requirements.

### ***Established Security Protocols***

IBASIS has implemented security protocols to limit access to call tracking systems in a controlled environment to authorized personnel.

Monitoring tracking systems have been installed to limit access to the company's call tracking system.

Access to compensation systems is controlled and monitored as well as limited to authorized personnel through security measures which have been implemented.



### ***Audit Findings***

iBasis, Inc., founded in 1996, is an international provider of local and long distance telecommunications services to businesses, large enterprises and other telecommunications carriers. IBASIS delivers its services over its IP and TDM infrastructure. This network is managed globally from its headquarters in Burlington Massachusetts, Hilversum, Holland and Hong Kong. iBasis is wholly-owned by KPN, the incumbent telecommunications provider in The Netherlands. GSA has tested and documented that the compensation system in use as of the date of this report is effective and complete. GSA has validated payments made for Q1 2011 and Q1 of 2012. IBASIS is in compliance for the period audited from the last published audit through June 30, 2012 and compensation has been appropriately made to the PSPs or Aggregators through March 31, 2012.

## **APPENDICES**



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Appendix 1:



**Independent Service Auditors' Report**

Board of Directors  
Billing Services Group North America  
San Antonio, Texas

*Scope*

We have examined Billing Services Group North America and its affiliates' (collectively, "Billing Services Group") description of its Dial Around Compensation System for processing user entities' transactions throughout the period from April 1, 2011 to March 31, 2012 (the "Description"), and the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the Description. The Description indicates that certain control objectives specified in the Description can be achieved only if complementary user-entity controls contemplated in the design of Billing Services Group's controls are suitably designed and operating effectively, along with related controls at the service organization. We have not evaluated the suitability of the design or operating effectiveness of such complementary user-entity controls.

*Service Organization's Responsibilities*

In Section II of this report, Billing Services Group has provided an assertion about the fair presentation of the Description and the suitability of design and operating effectiveness of the controls to achieve the related control objectives stated in the Description. Billing Services Group is responsible for preparing the Description and for the assertion, including the completeness, accuracy, and method of presentation of the Description and the assertion, providing the services covered by the Description, specifying the control objectives and stating them in the Description, identifying the risks that threaten the achievement of the control objections, selecting the criteria, and designing, implementing, and documenting controls to achieve the related control objectives stated in the Description.

*Service Auditor's Responsibilities*

Our responsibility is to express an opinion on the fairness of the presentation of the Description and the suitability of the design and operating effectiveness of the controls to achieve the control objectives stated in the Description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the Description is fairly presented based on the Description criteria, and the controls were suitably designed and operating effectively to achieve the related control objective stated in the Description throughout the period from April 1, 2011, to March 31, 2012.

**SAN ANTONIO**  
100 N.E. LOOP 410, SUITE 1100  
SAN ANTONIO, TEXAS 78216  
210 828 6281

**AUSTIN**  
811 BARTON SPRINGS ROAD, SUITE 550  
AUSTIN, TEXAS 78704  
512 476 0717

**TOLL FREE: 800 879 4966**  
**WEB: PADGETT-CPA.COM**



An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of presentation of the description of the system and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the Description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the Description. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives stated in the Description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the Description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in management's assertion in Section II of this report. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

*Inherent Limitations*

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become inadequate or fail.

*Opinion*

In our opinion, in all material respects, based on the criteria described in Billing Services Group's assertion in Section II of this report,

- a. The Description fairly presents the Dial Around Compensation system that was designed and implemented throughout the period from April 1, 2011 to March 31, 2012.
- b. The controls related to the control objectives stated in the Description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period from April 1, 2011 to March 31, 2012 and user entities applied the complementary user entity controls contemplated in the design of BSG's controls throughout the period from April 1, 2011 to March 31, 2012.
- c. The controls tested, which together with the complementary user-entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the Description were achieved, operated effectively through the period from April 1, 2011 to March 31, 2012.



*Description of Tests of Controls*

The specific controls tested and the nature, timing, and results of those tests are listed in Appendix A of this report.

*Restricted Use*

This report and the description of tests of controls and results thereof in Appendix A of this report are intended solely for the information and use of Billing Services Group, user entities of Billing Services Group's Dial Around Compensation system during some or all of the period from April 1, 2011 to March 31, 2012, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information, including information about the controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be, and should not be, used by anyone other than those specified parties.

Certified Public Accountants  
June 27, 2012



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## Appendix 2:



### **Report of Management on Compliance with Applicable Requirements of Section 64.1310(a)(1) of the FCC's Rules and Regulations**

The management of iBasis ("the Company") is responsible for establishing and maintaining adequate systems and processes for its Payphone Call Tracking System and for ensuring the Company's compliance with the applicable requirements of Section 64.1310(a)(1) of the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.

Management has performed an evaluation of the company's compliance with the applicable requirements of CC Docket No. 96-128 using the criteria in 64.1320(c) as the framework for the evaluation. Based on this evaluation, we assert that as of December 31, 2010, the Company complies with all applicable requirements of CC Docket No. 96-128.

We have prepared the required assertion statements relating to the Company's Payphone Call Tracking Systems.

The Company is acknowledged as the "LEC Completing Carrier" in the following call scenarios:

- Local Toll and Local Operated assisted calls with the Info Digits (7, 27, and 70) completed by the Company ("0" indicator).

All assertions for the Company are from the point the Company has visibility to the call tracking data.

The Company utilizes an in house program for payphone compensation settlement. The Company has procedures in place to verify that controls and procedures relating to these assertions have been established and maintained. An independent accounting firm has performed an independent assessment of the effectiveness of such controls.

The Company represents the following assertions where it is identified as the LEC Completing Carrier:

**FCC Compliance Factor (1) – The Company ("Completing Carrier") procedures accurately track calls to completion.**





- The Company's definition of a "per-call rate" of \$.494 is in compliance with FCC rules that became effective on September 27, 2004. The "per-call rate" prior to this date was \$.24.
- The Company's definition of a "Compensable Call" (payphone-originated call that completes over the Company's network in which the Company identifies itself as the Completing Carrier) is in compliance with the FCC rules.
- The Company's definition of a "Completed Call" (call that is answered by the called party) is in compliance with the FCC rules.
- The Company's system is able to generate the following reports on a quarterly basis:
  - a) A list of the toll free and access numbers dialed and completed from each Payphone Service Provider's (PSP's) payphones along with the ANI for each payphone.
  - b) The volume of calls for each toll free and access number that was completed by the Company.
  - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling the Company's payphone compensation.
- The Company's data storage requirement (27 months) is in compliance with FCC rules.

**FCC Compliance Factor (2) – The Company ("Completing Carrier") has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls.**

- The Company has designated personnel responsible for drafting the business requirements associated with tracking, compensating, and resolving disputes concerning payphone-compensated calls.
- The Company has designated personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data.
- The Company has designated personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets.
- The Company has designated personnel who are responsible for developing compensation-tracking reports.
- The Company has designated personnel who are responsible for payphone compensation dispute resolution.



**FCC Compliance Factor (3) – The Company (“Completing Carrier”) has effective data monitoring procedures.**

- The Company has the ability to prepare quarterly reports on payphone call counts.
- The Company performs data monitoring procedures on call record volumes entering the payphone compensation systems.
- The Company has the ability to produce trend reports of excluded calls.
- The Company works with its IT department, for fraud-monitoring procedures and processes to identify potentially illegitimate payphone calls.
- The Company has the ability to resolve any PSP disputes and assist in any of the identification processes.

**FCC Compliance Factor (4) – The Company (“Completing Carrier”) adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.**

- The Company has security controls in place to control access to and monitor call-tracking data.
- The Company has a department that is responsible for making software changes that affect payphone compensation.
- The Company has established protocols to implement and test software changes affecting payphone compensation.
- The Company has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

**FCC Compliance Factor (5) – The Company (“Completing Carrier”) creates a compensable payphone call file by using internal customer information matched to toll free records. This file contains all payphone traffic with payphone identifiers.**

- The Company utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
- The Company uses payphone specific identifiers (info digits) to identify a compensable payphone call record.
- The Company applies validation and control procedures to compile the Compensable Call File.





**FCC Compliance Factor (6) – The Company (“Completing Carrier”) has procedures to incorporate call data into required reports and making payment to PSPs.**

- The Company’s systems are able to generate a quarterly file from their raw switch records that contains completed pay phone calls. This data is formatted based on internal requirements and passed over for producing all necessary reports and making payments to PSP’s.

**FCC Compliance Factor (7) – The Company (“Completing Carrier”) has implemented procedures and controls needed to resolve payphone compensation disputes.**

- The Company maintains required call tracking data for at least 27 months.
- The Company has the ability to investigate and resolve PSP disputes.
- The Company has designated personnel who are responsible for payphone compensation dispute resolution.

**FCC Compliance Factor (8) – Critical controls and procedures have been tested by the Company (“Completing Carrier”) to verify that errors are insubstantial.**

- The Company has procedures to identify payphone-terminated calls, and has tested the effectiveness of these procedures to management satisfaction.
- The Company has procedures to capture dial-around calls and has tested the effectiveness of these procedures to management satisfaction.
- The Company has procedures to accurately populate call record data in the Compensable Call File for processing and payment to the PSP’s and has tested the effectiveness of these procedures to management satisfaction.

**FCC Compliance Factor (9) – The Company (“Completing Carrier”) has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which Completing carrier owes compensation.**

- The Company has business rules that identify calls originated from payphones.
- The Company has business rules that identify compensable payphone calls.

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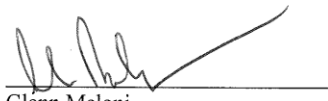


- The Company has business rules that exclude incomplete calls.
- The Company maintains a customer list of payphone owners to maintain and determine the identities of the payphone service providers for which Company Name owes compensation as a completing carrier.

**The Company – Required Disclosures per 64.1320(d)**

- The Company has criteria for identifying calls originating from payphones which include a call record info-digit identification of 7, 27, or 70.
- The Company has criteria for identifying compensable payphone calls include all calls with info-digits 7, 27 or 70 and call duration greater than 0. Calls originating from payphones where Company Name has a separate compensation agreement in place are excluded from the Compensable Call File.
- The Company has criteria for identifying incomplete or otherwise noncompensable calls which include: a) calls that do not have info-digits 7, 27, or 70, b) calls with duration of 0 or c) calls that originate from payphones where Company Name has a separate compensation agreement in place.
- The Company has criteria that is used to determine the identity of the PSPs to which Company Name owes compensation is established by Company Name customer master.

Dated: June 30, 2011



Glenn Meloni  
Director, Finance  
iBasis, Inc.



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## Appendix 3:



### **Report of Management on Compliance with Applicable Requirements of Section 64.1310(a)(1) of the FCC's Rules and Regulations**

The management of iBasis ("the Company") is responsible for establishing and maintaining adequate systems and processes for its Payphone Call Tracking System and for ensuring the Company's compliance with the applicable requirements of Section 64.1310(a)(1) of the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.

Management has performed an evaluation of the company's compliance with the applicable requirements of CC Docket No. 96-128 using the criteria in 64.1320(c) as the framework for the evaluation. Based on this evaluation, we assert that as of December 31, 2011, the Company complies with all applicable requirements of CC Docket No. 96-128.

We have prepared the required assertion statements relating to the Company's Payphone Call Tracking Systems.

The Company is acknowledged as the "LEC Completing Carrier" in the following call scenarios:

- Local Toll and Local Operated assisted calls with the Info Digits (7, 27, and 70) completed by the Company ("0" indicator).

All assertions for the Company are from the point the Company has visibility to the call tracking data.

The Company utilizes an in house program for payphone compensation settlement. The Company has procedures in place to verify that controls and procedures relating to these assertions have been established and maintained. An independent accounting firm has performed an independent assessment of the effectiveness of such controls.

The Company represents the following assertions where it is identified as the LEC Completing Carrier:

**FCC Compliance Factor (1) – The Company ("Completing Carrier") procedures accurately track calls to completion.**



- The Company's definition of a "per-call rate" of \$.494 is in compliance with FCC rules that became effective on September 27, 2004. The "per-call rate" prior to this date was \$.24.
- The Company's definition of a "Compensable Call" (payphone-originated call that completes over the Company's network in which the Company identifies itself as the Completing Carrier) is in compliance with the FCC rules.
- The Company's definition of a "Completed Call" (call that is answered by the called party) is in compliance with the FCC rules.
- The Company's system is able to generate the following reports on a quarterly basis:
  - a) A list of the toll free and access numbers dialed and completed from each Payphone Service Provider's (PSP's) payphones along with the ANI for each payphone.
  - b) The volume of calls for each toll free and access number that was completed by the Company.
  - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling the Company's payphone compensation.
- The Company's data storage requirement (27 months) is in compliance with FCC rules.

**FCC Compliance Factor (2) – The Company ("Completing Carrier") has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls.**

- The Company has designated personnel responsible for drafting the business requirements associated with tracking, compensating, and resolving disputes concerning payphone-compensated calls.
- The Company has designated personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data.
- The Company has designated personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets.
- The Company has designated personnel who are responsible for developing compensation-tracking reports.
- The Company has designated personnel who are responsible for payphone compensation dispute resolution.



**FCC Compliance Factor (3) – The Company (“Completing Carrier”) has effective data monitoring procedures.**

- The Company has the ability to prepare quarterly reports on payphone call counts.
- The Company performs data monitoring procedures on call record volumes entering the payphone compensation systems.
- The Company has the ability to produce trend reports of excluded calls.
- The Company works with its IT department, for fraud-monitoring procedures and processes to identify potentially illegitimate payphone calls.
- The Company has the ability to resolve any PSP disputes and assist in any of the identification processes.

**FCC Compliance Factor (4) – The Company (“Completing Carrier”) adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.**

- The Company has security controls in place to control access to and monitor call-tracking data.
- The Company has a department that is responsible for making software changes that affect payphone compensation.
- The Company has established protocols to implement and test software changes affecting payphone compensation.
- The Company has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

**FCC Compliance Factor (5) – The Company (“Completing Carrier”) creates a compensable payphone call file by using internal customer information matched to toll free records. This file contains all payphone traffic with payphone identifiers.**

- The Company utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
- The Company uses payphone specific identifiers (info digits) to identify a compensable payphone call record.
- The Company applies validation and control procedures to compile the Compensable Call File.



**FCC Compliance Factor (6) – The Company (“Completing Carrier”) has procedures to incorporate call data into required reports and making payment to PSPs.**

- The Company’s systems are able to generate a quarterly file from their raw switch records that contains completed pay phone calls. This data is formatted based on internal requirements and passed over for producing all necessary reports and making payments to PSP’s.

**FCC Compliance Factor (7) – The Company (“Completing Carrier”) has implemented procedures and controls needed to resolve payphone compensation disputes.**

- The Company maintains required call tracking data for at least 27 months.
- The Company has the ability to investigate and resolve PSP disputes.
- The Company has designated personnel who are responsible for payphone compensation dispute resolution.

**FCC Compliance Factor (8) – Critical controls and procedures have been tested by the Company (“Completing Carrier”) to verify that errors are insubstantial.**

- The Company has procedures to identify payphone-terminated calls, and has tested the effectiveness of these procedures to management satisfaction.
- The Company has procedures to capture dial-around calls and has tested the effectiveness of these procedures to management satisfaction.
- The Company has procedures to accurately populate call record data in the Compensable Call File for processing and payment to the PSP’s and has tested the effectiveness of these procedures to management satisfaction.

**FCC Compliance Factor (9) – The Company (“Completing Carrier”) has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which Completing carrier owes compensation.**

- The Company has business rules that identify calls originated from payphones.
- The Company has business rules that identify compensable payphone calls.

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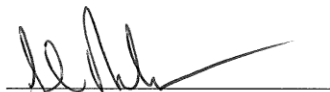


- The Company has business rules that exclude incomplete calls.
- The Company maintains a customer list of payphone owners to maintain and determine the identities of the payphone service providers for which Company Name owes compensation as a completing carrier.

**The Company – Required Disclosures per 64.1320(d)**

- The Company has criteria for identifying calls originating from payphones which include a call record info-digit identification of 7, 27, or 70.
- The Company has criteria for identifying compensable payphone calls include all calls with info-digits 7, 27 or 70 and call duration greater than 0. Calls originating from payphones where Company Name has a separate compensation agreement in place are excluded from the Compensable Call File.
- The Company has criteria for identifying incomplete or otherwise noncompensable calls which include: a) calls that do not have info-digits 7, 27, or 70, b) calls with duration of 0 or c) calls that originate from payphones where Company Name has a separate compensation agreement in place.
- The Company has criteria that is used to determine the identity of the PSPs to which Company Name owes compensation is established by Company Name customer master.

Dated: September 7, 2012



Glenn Meloni  
Director, Finance  
iBasis, Inc.